

SECOND REGULAR SESSION

HOUSE BILL NO. 1590

101ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE FITZWATER.

4075H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.022 and 143.071, RSMo, and to enact in lieu thereof four new sections relating to incentives for new businesses.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 143.022 and 143.071, RSMo, are repealed and four new sections enacted in lieu thereof, to be known as sections 34.195, 143.022, 143.071, and 620.3800, to read as follows:

34.195. 1. This section shall be known and may be cited as the "Right-to-Start Act".

2. Beginning July 1, 2024, five percent of all state contracts shall be awarded to businesses that have been in operation for less than five years.

143.022. 1. As used in this section, "business income" means the income greater than zero arising from transactions in the regular course of all of a taxpayer's trade or business and shall be limited to the Missouri source net profit from the combination of the following:

(1) The total combined profit as properly reported to the Internal Revenue Service on each Schedule C, or its successor form, filed; and

(2) The total partnership and S corporation income or loss properly reported to the Internal Revenue Service on Part II of Schedule E, or its successor form.

2. In addition to all other modifications allowed by law, there shall be subtracted from the federal adjusted gross income of an individual taxpayer a percentage of such individual's business income, to the extent that such amounts are included in federal adjusted gross income when determining such individual's Missouri adjusted gross income.

EXPLANATION — Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

12 3. In the case of an S corporation described in section 143.471 or a partnership
13 computing the deduction allowed under subsection 2 of this section, taxpayers described in
14 subdivision (1) or (2) of this subsection shall be allowed such deduction apportioned in
15 proportion to their share of ownership of the business as reported on the taxpayer's Schedule
16 K-1, or its successor form, for the tax period for which such deduction is being claimed when
17 determining the Missouri adjusted gross income of:

18 (1) The shareholders of an S corporation as described in section 143.471;

19 (2) The partners in a partnership.

20 4. The percentage to be subtracted under subsection 2 of this section shall be
21 increased over a period of years. Each increase in the percentage shall be by five percent and
22 no more than one increase shall occur in a calendar year. The maximum percentage that may
23 be subtracted is twenty percent of business income. Any increase in the percentage that may
24 be subtracted shall take effect on January first of a calendar year and such percentage shall
25 continue in effect until the next percentage increase occurs. An increase shall only apply to
26 tax years that begin on or after the increase takes effect.

27 5. An increase in the percentage that may be subtracted under subsection 2 of this
28 section shall only occur if the amount of net general revenue collected in the previous fiscal
29 year exceeds the highest amount of net general revenue collected in any of the three fiscal
30 years prior to such fiscal year by at least one hundred fifty million dollars.

31 6. The first year that a taxpayer may make the subtraction under subsection 2 of this
32 section is 2017, provided that the provisions of subsection 5 of this section are met. If the
33 provisions of subsection 5 of this section are met, the percentage that may be subtracted in
34 2017 is five percent.

35 **7. As used in this section, the term "new business income" means any business**
36 **income from a taxpayer that begins business operations in this state on or after January**
37 **1, 2023.**

38 **8. Any remaining amount of new business income included in a taxpayer's**
39 **Missouri adjusted gross income after the subtraction provided in subsection 2 of this**
40 **section shall be reduced as follows:**

41 **(1) For the first tax year in which the taxpayer's business is in operation, the first**
42 **two hundred fifty thousand dollars of such amount shall be reduced by fifty percent;**

43 **(2) For the second tax year in which the taxpayer's business is in operation, the**
44 **first five hundred thousand dollars of such amount shall be reduced by thirty-seven and**
45 **one-half percent;**

46 **(3) For the third tax year in which the taxpayer's business is in operation, the**
47 **first seven hundred fifty thousand dollars of such amount shall be reduced by twenty-**
48 **five percent; and**

49 **(4) For the fourth tax year in which the taxpayer's business is in operation, the**
50 **first one million dollars of such amount shall be reduced by twelve and one-half percent.**

143.071. 1. For all tax years beginning before September 1, 1993, a tax is hereby
2 imposed upon the Missouri taxable income of corporations in an amount equal to five percent
3 of Missouri taxable income.

4 2. For all tax years beginning on or after September 1, 1993, and ending on or before
5 December 31, 2019, a tax is hereby imposed upon the Missouri taxable income of
6 corporations in an amount equal to six and one-fourth percent of Missouri taxable income.

7 3. For all tax years beginning on or after January 1, 2020, a tax is hereby imposed
8 upon the Missouri taxable income of corporations in an amount equal to four percent of
9 Missouri taxable income.

10 4. **As used in this section, the term "eligible new corporation" means a**
11 **corporation validly licensed as provided in the applicable laws of this state that begins**
12 **operations in this state on and after January 1, 2023.**

13 5. **For all tax years beginning on and after January 1, 2023, a tax is hereby**
14 **imposed upon the Missouri taxable income of each eligible new corporation as follows:**

15 **(1) For the first tax year of an eligible new corporation, the first two hundred**
16 **fifty thousand dollars of income shall be exempt from taxation and any remaining**
17 **portion of income shall be taxed at a rate of four percent;**

18 **(2) For the second tax year of an eligible new corporation, the first five hundred**
19 **thousand dollars of income shall be taxed at a rate of one percent and any remaining**
20 **portion of income shall be taxed at a rate of four percent;**

21 **(3) For the third tax year of an eligible new corporation, the first seven hundred**
22 **fifty thousand dollars of income shall be taxed at a rate of two percent and any**
23 **remaining portion of income shall be taxed at a rate of four percent;**

24 **(4) For the fourth tax year of an eligible new corporation, the first one million**
25 **dollars of income shall be taxed at a rate of three percent and any remaining portion of**
26 **income shall be taxed at a rate of four percent; and**

27 **(5) For the fifth tax year of an eligible new corporation and for all tax years**
28 **thereafter, all income shall be taxed at a rate of four percent.**

29 6. The provisions of this section shall not apply to out-of-state businesses operating
30 under sections 190.270 to 190.285.

620.3800. There is hereby created within the department of economic
2 **development the "Office of Entrepreneurship". The office shall employ an individual**
3 **to promote policies and initiatives to support the growth of entrepreneurship in the**
4 **state. The office shall work with stakeholders and communities to provide information**
5 **and technical support to entrepreneurs.**